

Summary of H.R. 7-- The Charitable Giving Act

1. Charitable Deduction for Non-Itemizers

Provide an above-the-line deduction for cash contributions in excess of \$250 for individuals/\$500 joint. (The deduction will be available for 2004 and 2005).

- Cost: \$2.94 billion / 10 years
- Senate: Identical

2. Charitable IRA Distributions

Allow tax-free distributions from IRAs for charitable purposes for individuals age 70.5 and above; applies to direct gifts and split-interest gifts.

- Cost: \$2.82 billion / 10 years
- Senate: Identical provision on direct gifts. More generous on split-interest gifts. Eligible to make split-interest gifts at age 59.5. (Cost: 2.974 billion / 10 years)

3. Corporate Charitable Contributions:

Rai Raise the cap on corporate charitable contributions from 10% to 20% as follows: 11% in 2004, 12% in 2005, 13% in 2006, 14% in 2007, 15% in 2008 through 2011 and 20% in 2012 and thereafter. (Not limited to gifts to public charities).

- Cost: \$1.53 billion / 10 years
- Senate: Not included

4. Donations of Scientific Property and Computer Technology and Equipment

Modify self-constructed property rules. Property assembled by the taxpayer, in addition to property constructed by the taxpayer, would be eligible for the enhanced deduction for scientific property and computer technology equipment. (Enhanced deduction is equal to the lesser of basis plus 1/2 of appreciated value, or two times basis).

- Cost: \$420 million / 10 years
- Senate: Identical. (Cost: \$399 million / 10 years)

5. Individual Development Accounts

No tax provision. Extends current Assets for Independence Act demonstration authorization for 5 years. Match-savings accounts for low-income working families.

- Cost: N/A (no tax provision). Extends authorization of \$25 million / year for 5 years
- Senate: Includes a broader tax provision that provides tax credits to participating financial institutions. Does not reauthorize the current program.

(\$487 million/10y)

6. Compassion Capital Fund

No tax provision. Authorizes HHS to distribute funds to assist small faith-based and community organizations with technical assistance and capacity building.

- **Cost: N/A (no tax provision). Authorizes \$150 million / 2004, such sums thereafter (subject to appropriations).**
- **Senate: Very similar. (Cost: \$150 million / 04, such sums thereafter)**

7. Landowner Conservation Incentive Programs

Treat as tax-free funds received by private landowners from the Department of Interior (DOI) to carry out habitat restoration or wildlife protection measures. Would treat DOI and USDA grant programs similarly for tax liability purposes.

- **Cost: Approximately \$80 million / 10 years**
- **Senate: Not included**

8. Maternity Group Homes

- **Cost: N/A (no tax provision). Authorizes \$33 million in additional funding in 2004, such sums thereafter (subject to appropriation).**
- **Senate: Identical**

9. Food Inventory Donations

Extend present law 170(e)(3) C-corporation enhanced deduction rule for food inventory (generally, the lesser of basis plus ½ of appreciation, or 2x basis) to all businesses; require donated food to be “apparently wholesome food”; clarify fair market value.

- **Cost: \$620 million / 10 years**
- **Senate: More generous. Heightened the deduction to “fair market value”**
- **(Cost: 2.094 billion / 10 years)**

10. Reduce Excise Tax on Private Foundation Net Investment Income and Modify Excise Tax on Failure to Distribute Income (Minimum Distribution Requirement)

- A. **Modify the 2% excise tax to eliminate the 2-tier regime and impose a 1% excise tax. Use the provision in the House version of H.R. 7 as a model.**
- A. **Modify the §4942 minimum distribution requirement to provide that “qualifying distributions,” shall not include administrative expenses.**
- **Cost: \$2.3 billion / 10 years**
- **Senate: Not included**

April 3, 2003

Dear Colleague:

We are writing to urge you to cosponsor the Charitable Giving Act of 2003. This bipartisan legislation focuses on helping those in need by creating new incentives for charitable giving by individuals and corporations, as well as providing technical assistance to smaller charities so that they can work more effectively. This legislation will go a long way towards boosting the resources of those organizations that are serving the needy on the front lines. Key provisions in this important legislation include:

- A charitable deduction for non-itemizers for gifts of \$250 for individuals and \$500 for couples;
- IRA charitable rollovers to allow tax free distributions for charitable purposes;
- An enhanced charitable deduction for food donations;
- Additional support for a Compassion Capital Fund to assist small community and faith-based organizations with technical assistance and capacity building;
- Raises the cap on corporate charitable contributions.

The Charitable Giving Act will provide additional support for a broad range of charities faced with growing social needs, and in many cases, fewer resources. If you have additional questions or would like to cosponsor this bill, please contact April Ponnuru (Congressman Blunt) at 5-0197 (april.ponnuru@mail.house.gov) or Scott Keefer (Congressman Ford) at 5-3265 (scott.keefer@mail.house.gov).

Sincerely,

Roy Blunt (R-MO)
Member of Congress

Harold Ford (D-TN)
Member of Congress

Talking Points on Charitable Giving Act

The Need:

- Now is more important than ever to encourage charitable giving. The economic downturn we've experienced has been felt in the charitable sector. More than \$5 trillion in wealth that has been lost in the markets over the past two years has dried up charitable giving.
- 2001 was the first year when charitable giving declined. It declined again in 2002. This doesn't mean that Americans are less concerned for their neighbors -- since the national tragedy of 9/11, the exact opposite is true. But money is tight for millions of families. They want to give, but they also have to pay the bills.
- The slow economy has also placed additional strains on charities and nonprofit groups. The 3 million people who have lost jobs, and the 1.5 million people who have lost health insurance now have basic needs that must be met. Moreover, the state fiscal crisis has led to cutbacks to hospitals, to daycare, to afterschool programs, to social services agencies. There are simply more people who need help in this weak economy.

The Intent of the Bill:

- The intent of our bill is simple -- to marshal the resources and good will of Americans who want to help their neighbors.
- This bill encourages charitable giving by providing incentives through the tax code. This bill embraces the aspects of the President's faith-based agenda that Democrats and Republicans alike should all be able to agree on.
- As you all know, our Caucus had strong objections to many aspects of the President's faith-based agenda. But we share the President's goal of "rallying the armies of compassion." Some armies of compassion are faith-based. Some are not faith-based. Our bill will encourage giving and help charities without regard to religious affiliation.

What the Bill Does:

- Our bill provides 86 million Americans who do not itemize the opportunity to deduct a portion of their charitable contributions—representing more than two-thirds of American taxpayers.
- It also provides incentives for individuals to give tax-free contributions from their Individual Retirement Accounts (IRAs) for charitable purposes, which will help a wide range of charities including educational institutions.
- Raises the cap on corporate charitable contributions from 10% to 20% over 10 years.
- Extends current incentives for food donations to apply to even more farmers, restaurants, and corporations to help those in need.
- Reauthorizes the Individual Development Account program that allows low income, working Americans the opportunity to build assets through matched savings accounts to purchase a home, expand educational opportunity, or start a small business.
- Provides \$150 million a year for a Compassion Capital Fund to assist small community and faith-based organizations with technical assistance and to expand their capacity to serve.
- Encourages conservation by private landowners by requiring that certain federal grant money for conservation be treated as tax-free.

Specific Provisions:

IRA ROLLOVER

- It's estimated that Americans have saved more than \$2.5 trillion in IRAs.
- IRA Charitable Rollovers will allow Americans to withdraw from their IRAs---tax-free---when they contribute the withdrawal to a charity.
- IRA Charitable Rollover makes contributions from IRAs---no matter how large---tax-free.
- The federal government ought to encourage a portion of those transfers now to help charities help others.

CHARITABLE DEDUCTION FOR NON-ITEMIZERS

- Our tax code ought to encourage charitable gifts.
- There are more than 86 million taxpayers in this country who do not itemize on their tax returns.
- This is about fairness, so the low and middle income taxpayers who don't itemize can see the same tax benefits on a charitable donation as itemizers do.
- More than two-thirds of Americans who do not itemize will see some tax benefit for their charitable contributions under this bill.
- Our bill would provide an above-the-line deduction for cash contributions of more than \$250 for singles and \$500 for couples.
- Households that traditionally give to faith-based organizations give 87.5 percent of all charitable contributions in this country.

FAA Reauthorization Conference Report

The House will soon consider (as early as this Wednesday) the Conference Report on the Federal Aviation Administration bill, H.R. 2115.

Traditionally, the FAA reauthorization bill is a bipartisan bill that has the overwhelming support of Members of Congress from both sides of the aisle. Regrettably, this Congress, the Republicans have used this bill to ram controversial, special-interest provisions through the Conference Committee. Moreover, the Republicans provided Democrats no opportunity to review or offer amendments to any of the controversial provisions included in the Conference Report. Indeed, the Conference Committee never even voted on any of the controversial provisions included in the Report. As a result, for the first time ever, no House or Senate Democrat signed the FAA Reauthorization Conference Report, and Ranking Member Oberstar is strongly opposed to the Conference Report.

Controversial provisions in the Republican FAA Reauthorization Conference Report undermine aviation safety and security and weaken the strength of the airline industry and its workers.

- **Republicans Seek to Privatize the Air Traffic Control System.** The Conference Report allows the FAA to begin to systematically dismantle our Nation's air traffic control system and turn it over to the private sector. Under the Republican Conference Report, the FAA could immediately privatize air traffic control operations at 69-named airport control towers, including 11 towers that are among the top 50 busiest towers in the Nation, and 18 towers that are served by commercial airlines. Significantly, the Alaska delegation protected two towers in their state, which were on the original list, from privatization. Beginning in 2007, the FAA could proceed to privatize the whole system. In addition, the FAA could immediately privatize Flight Service Station personnel as well as systems specialists and technicians responsible for certifying the systems and equipment used in the National Airspace System.
- **Republicans Gut Anti-Terrorism Training for Flight Attendants.** The Conference Report includes a provision making discretionary the existing mandatory requirements in the Homeland Security Act of 2002 that the Transportation Security Agency issue security and anti-terrorism training guidelines for our Nation's flight attendants. In the

face of the continuing heightened security alert in the airline industry, this provision would potentially rollback terrorism training for flight crews.

- **Republicans Allow Foreign Airlines to Raid U.S. Marketplaces.**
The Conference Report undermines a cornerstone of our aviation policy by allowing foreign airlines to carry cargo between cities in Alaska and other cities in the United States. Since the beginning of commercial aviation, the United States and most other countries have reserved aviation traffic within their borders for home country airlines. This long-standing policy enhances national security, as well as competition policy.

Congress of the United States
Washington, DC 20510

August 20, 2003

The Honorable Norman Mineta
Transportation Secretary
U.S. Department of Transportation
400 7th Street, S.W
Washington, DC 20590

Dear Mr. Secretary:

We write to express our grave concern about the recent conduct of the Federal Aviation Administration (FAA) in lobbying Congress for the authority to privatize America's air traffic control (ATC) system.

Although the FAA has said that it had no intention of privatizing ATC functions, it worked behind closed doors to gain authority to replace federal controllers at 69 airport towers with contract employees of private companies. Then, in an apparent private deal with the Alaska delegation, the FAA agreed to be prohibited from privatizing Alaska airports. How, Mr. Secretary, can you defend a system that has one standard for Alaska, and another for the other 49 states? If privatization did not pose a threat to safety and efficiency, why would the experienced legislators of the Alaska delegation bother to exempt their own airports?

And now, in an effort to win Congressional approval of the conference report on Vision 100—Century of Aviation Reauthorization Act ("Conference Report"), the FAA appears ready to use a similar scheme to exempt towers in other states. It seems the Administration has different standards for air traffic control towers depending on the votes the Administration needs to pass the Conference Report. It has recently come to light in a report in the *Tulsa World* that the FAA has promised Senator Nickles that the Riverside Airport control tower in his home state of Oklahoma will not be privatized. It is not surprising that Oklahomans are concerned about privatization, and that concern was reflected in the support the Lautenberg amendment received from Senator Inhofe. The Administration will need Senator Inhofe, and others of the 11 Republicans who supported the Lautenberg amendment, to have a change of heart in order to pass its plan to privatize air traffic services. Once again we ask, if privatization poses no threats to safety and efficiency, why are members of Congress demanding they be exempted from the program?

This is not the first instance of improper behavior on behalf of the Administration on this issue. Shortly before Senate consideration of the Lautenberg amendment in June, Administration officials sent a factually incorrect e-mail to many Senate offices (except that of Senator Lautenberg) in a failed attempt to lobby against the Lautenberg amendment. The e-mail claimed the scope of the proposed Lautenberg provision was much broader than it actually was. This

Mr. Norman Mineta
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instance was chronicled in a hearing by the Senate Committee on Commerce, Science, and Transportation, on July 8.

Safe and efficient air travel for all Americans is a non-partisan commitment from both the House and the Senate. The FAA is charged with protecting the safety of air travel, not cutting political deals—especially when those deals appear to be based on no sound safety or economic policy, but rather political calculations. To that point, we are asking you to instruct the FAA Administrator to report to Congress on any and all arrangements to exempt FAA-run control towers from being contracted out. We assure you that failure to report fully and promptly on this matter will lead to a loss in confidence among ourselves and our colleagues in the Congress in the leadership of the FAA.

Thank you for your attention to this matter.

Sincerely,



Frank R. Lautenberg
U.S. Senator



James L. Oberstar
Ranking Democratic Member
U.S. House of Representatives
Committee on Transportation
and Infrastructure

U.S. House of Representatives

NEWS RELEASE

For Immediate Release: Thursday, April 10, 2003

Bill Aims to Keep Airways Public ***Bipartisan initiative would prevent privatization*** ***of the nation's air traffic control system***

WASHINGTON—The federal government would be prohibited from turning the nation's air traffic control (ATC) system over to private operators under a bill introduced today in the House of Representatives.

The *Air Traffic Control System Integrity Act of 2003* is the work of four senior Members of the House Committee on Transportation and Infrastructure and the Subcommittee on Aviation: Rep. James L. Oberstar (D-Minn.), Ranking Democratic Member on the full Committee; Rep. Frank LoBiondo (R-N.J.), Chairman of the Subcommittee on Coast Guard and Maritime Transportation; Rep. Peter DeFazio (D-Ore.), Ranking Democrat on the Subcommittee on Aviation; and Rep. Jack Quinn (R-N.Y.), Chairman of the Subcommittee on Railroads.

On June 4, 2002, President Bush signed Executive Order 13264 to delete a phrase in Executive Order 13180 stating that air traffic control is an "inherently-governmental function." More recently, the Office of Management and Budget (OMB) placed air traffic controllers on its 2002 Commercial Activities list, an inventory of activities performed by government personnel that should be subject to the forces of competition.

Oberstar said he found these actions disturbing.

"The National Air Space system is *not* one well-defined piece of equipment. It is a complex, integrated arrangement of thousands of distinct systems, as well as regulations, procedures, and people, all interfacing with one another to accomplish one of the most intricate missions in the world – ensuring our country's ability to safely and efficiently move over 600 million passengers a year," Oberstar said. "Should we risk the uncertainties of creating a new system to promote ATC safety and security when we already have in place a system with an outstanding safety record? The answer is simple: No."

MORE...

OBERSTAR-LOBIONDO-DEFAZIO-QUINN

ADD ONE

April 10, 2003

"Air Traffic Control is a critical component of our nation's aviation system," said LoBiondo. "Its reliability and security should remain in the hands of the outstanding professionals who have made our skies the safest in the world."

"We have the safest and best system of air traffic control in the world. The comparatively tiny ATC systems of Great Britain, Canada and Australia are basket cases due to their experimentation with privatization," said DeFazio. "Why trade uncertainty for a successful system with an impeccable safety record? We can't afford to contract-out the safety of the flying public to the lowest bidder."

"It is imperative that our air traffic controllers continue to serve as a federal government entity," said Quinn. "The safety of airline passengers exceeds the desire to streamline the role of the air traffic controller. The controllers should not have to worry about tracking the stability of the airlines' bottom line for job security. They need to focus on tracking the 600 million passengers that fly safely though the sky each year."

The bill would prohibit the Department of Transportation from authorizing the conversion of any Federal Aviation Administration (FAA) facilities, or the outsourcing of any work currently performed by FAA employees (including air traffic controllers, systems specialists, and flight service station employees), in the ATC system to private or public entities other than the U.S. government. However, this bill would not impact the existing contract tower program.

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Kristie Greco (DeFazio) 202-225-6416
Michael Tetuan (Quinn) 202-225-3306

Introducing the Air Traffic Control System Integrity Act

HON. JAMES L. OBERSTAR
OF MINNESOTA
IN THE HOUSE OF REPRESENTATIVES
April 10, 2003

Mr. Speaker, today I have joined with Congressmen LoBiondo, DeFazio, and Quinn to introduce the Air Traffic Control System Integrity Act of 2003, a bill to ensure that functions relating to the air traffic control system continue to be carried out by the United States Government.

Mr. Speaker, I am deeply disturbed by the Bush Administration's recent attempts to inch its way towards privatization or corporatization of our air traffic control system. First, on June 4, 2002, President Bush signed Executive Order 13264 to delete a phrase in Executive Order 13180 stating that air traffic control is an "inherently-governmental function."

More recently, the Office of Management and Budget (OMB) placed air traffic controllers on its 2002 Commercial Activities list, which is an inventory of activities performed by government personnel that should be subject to the forces of competition. Although FAA Administrator Blakey testified before the House Aviation Subcommittee that ATC is in a protected class of the OMB Commercial

Activities list, there is nothing that prohibits the Administration from re-categorizing ATC in the future.

The National Air Space system is *not* one well-defined piece of equipment. It is a complex, integrated arrangement of thousands of distinct systems, as well as regulations, procedures, and people, all interfacing with one another to accomplish one of the most intricate missions in the world – ensuring our country’s ability to safely and efficiently move over 600 million passenger a year.

On September 11th, we learned just how efficiently our 15,000 air traffic controllers and 6,000 technicians do their jobs. On that fateful day, at 9:45 a.m., the Department of Transportation gave the order to ground all aircraft in U.S. airspace immediately – an operation that controllers and technicians had neither been trained nor tested to accomplish. Within the space of two hours, the FAA’s air traffic controllers safely landed 4,482 aircraft – 3,195 commercial, 1,122 general aviation, and 165 military -- without one operational error.

Following September 11th, our FAA technicians worked with the Department of Defense to staff Long Range Radar sites throughout the country as well as to provide additional radar surveillance data and voice communication capability to the

military in support of "Homeland Defense." The dedication and professionalism of all of our highly skilled government employees is unparalleled.

Operation of ATC requires the cooperative, coordinated efforts of many divisions in FAA including those responsible for ATC services, facilities and equipment, safety certification and regulation, airport development, research and development and law. All of these divisions are required by law to have safety as their highest priority.

Any plan to privatize or corporatize the ATC system contemplates that system users, principally the airlines, will be saddled with a fee structure to pay for the corporation. This means that the ATC system will be an expense for airlines, affecting their profit and loss. At the same time, airlines will play a role in setting policies for the new corporation and deciding how much the corporation will spend.

Do we really want to have a relationship between airline profitability and ATC spending and other decisions affecting safety or security? To be blunt, when airline profit margins start to influence ATC practices, the safety margin may be eroded, and that would not serve the public interest.

One of the main justifications advanced in support of an ATC corporation is that it would produce a system that is more responsive to airline concerns and would reduce airline costs. However, two of the most prominent countries that have privatized their ATC systems -- Great Britain and Canada -- have had numerous problems. Both countries' systems are financially distressed and suffering from performance setbacks. The perceived gains by privatizing the ATC systems in these countries -- lower fees and increased efficiency -- have actually translated into higher fees, numerous flight cancellations, and delays. This is not a model that the U.S. wants to emulate.

In the existing ATC system, the FAA and the Congress make decisions on safety issues in the overall best public interest, with input from system users. If there is any move towards privatization or some form of government corporation, how will the public be assured that ATC operations will be managed with a primary goal of protecting the interest of airline passengers and ensuring safety and security?

The basic question that needs to be asked is whether we should risk the uncertainties of creating a new system to promote ATC safety and security when we already have in place a system with an outstanding safety record. The answer is simple: No.

That is why we must act now to halt any efforts to privatize or corporatize our nation's air traffic system functions. This bill prohibits the Department of Transportation from authorizing the conversion of any FAA facilities, or the outsourcing of any work currently performed by FAA employees (including air traffic controllers, systems specialists, and flight service station employees), in the ATC system to private or public entities other than the U.S. government. Importantly, however, this bill would not impact the contract tower program, the safety benefits of which have been well documented.

This bill would guarantee the continued integrity of our nation's air traffic control system. I urge my colleagues to support this critical piece of legislation.